CHIEF EXECUTIVE'S REVIEW

This is an important period in the NTMA's continued evolution.

2023 saw the Agency being entrusted by the Government with additional mandates – to establish and manage the Future Ireland Fund and the Infrastructure, Climate and Nature Fund.

Subsequent to year end, the Minister for Finance also announced that he has tasked the Agency with setting up a new Resolution Unit to manage any remaining assets and activities relating to the National Asset Management Agency (NAMA) after that agency is wound down at the end of 2025.

These new responsibilities reflect the NTMA's ability to offer the State an established, trusted and effective platform for planning and executing major and complex work programmes.

This platform has allowed the Agency to grow significantly since its inception in 1990. As an organisation it has evolved from a single-function entity, with responsibility for managing the State's funding and debt management requirements, to the much larger and broader entity, covering a wide range of public assets and liabilities, that it is today.

We will take the same rigorous, professional and diligent approach to our latest set of mandates as we have in the past to mandates such as the Ireland Strategic Investment Fund (ISIF), the State Claims Agency (SCA), NewERA and the National Development Finance Agency (NDFA), as well as our responsibilities towards our affiliate organisations NAMA, the Strategic Banking Corporation of Ireland (SBCI) and Home Building Finance Ireland (HBFI).

We can say this with confidence because my colleagues throughout the NTMA know the value of offering flexibility, reliability and organisational readiness to serve the State. Because they embrace change and thrive on it. And because they innovate and actively seek out new and better ways of doing things, for the benefit of the State, our society, our economy and the communities we are a part of.

As Chief Executive, it is my privilege to witness the dedication, the enthusiasm and the high standards that our people bring to their roles every day and I thank them for this.

Reflecting on 2023, these qualities were a consistent feature underpinning the Agency's performance across each of its units during the year.

> We have a long-established position that we are engaged in contingency planning on a continuous basis to ensure that we are ready to meet the State's borrowing requirements irrespective of whatever conditions we may face.

Despite being a year in which higher costs, higher interest rates and market volatility acted as significant economic headwinds, Ireland's economy continued to demonstrate great resilience and the Exchequer fiscal position remained strong.

This in turn had a positive impact on investor sentiment towards Irish sovereign debt and facilitated our Funding and Debt Management unit in meeting the State's financing needs.

It was encouraging to see a number of ratings upgrades for Ireland from major global credit ratings agencies during the year, building on a favourable trend that has been in place for a number of years.

We have also seen a similarly positive trend in terms of trading patterns in Irish sovereign debt relative to our eurozone peers, with Ireland consistently trading at levels on a par with, or even below, core eurozone nations. By way of example, Ireland consistently trades at levels close to the Netherlands and below France.

These are undoubtedly positive signs – but favourable borrowing conditions are something we can never have the luxury of taking for granted. The pattern of significant Exchequer surpluses of recent years has been the subject of much public debate and has provided very welcome support to the Exchequer's financial position, but we never lose sight of the market realities that Ireland faces.

These realities include the fact that Ireland is, and will remain, a small open economy that must always be prepared for events, both local and global, which might impact on its ability to borrow.

We have a long-established position that we are engaged in contingency planning on a continuous basis to ensure that we are ready to meet the State's borrowing requirements irrespective of whatever conditions we may face.

That planning has been tested frequently and rigorously in recent years – from Brexit, to the pandemic, to the Russian invasion of Ukraine and all the consequences this has had on world energy prices and on interest rates.

Our experience each time has shown the benefit of this planning. Our consistent strategy of prefunding liabilities before they fall due has served us well, giving us flexibility in engaging with the markets so that, every time we borrow, we are doing so at a time of our own choosing and at a time when conditions are satisfactory to us.

Building up and maintaining a significant cash buffer, coupled with a borrowing strategy that has locked in the benefits of record low interest rates for long terms, has allowed us to, in essence, take out insurance to cushion Ireland from the effect of higher borrowing costs.

This means that, despite higher headline borrowing costs, our average cost of debt remains largely unchanged and the cash required to service our debt each year has remained stable.

The challenge facing our Funding and Debt Management team in the coming years will be to continue the successful approach of recent years, notwithstanding the era of ultra-low interest rates being at an end.

I am confident that our team has the skills, market knowledge and strong and trusted relationships, having built them up over many years, to optimise our borrowing activity as market conditions evolve.

Market volatility is also a challenge that faced our investment team in ISIF, with 2023 seeing the portfolio record investment gains of 4.3%, a very solid investment performance in difficult circumstances.

This investment gain means that ISIF's cumulative investment gains since inception in 2014 now stand at €2.3bn generating additional capital for future investments.

During the year ISIF committed €839m in 23 new investments, in line with its unique "double bottom line" mandate to support economic activity and employment in Ireland.

A particular highlight of ISIF's activity during 2023 was the continuation of the strong momentum it has built up in Climate investments, with Climate being one of its four priority investment themes.

After setting out an ambition in 2021 to invest €1bn in Climate investments over a five-year period, ISIF is well on the way to exceeding this figure up to two years ahead of schedule, with over €650m committed overall in support of the decarbonisation strategy.

It has also committed over €130m under its plan to invest €500m in Ireland's five regional cities – Cork, Limerick, Galway, Waterford and Kilkenny - to unlock their full economic potential and make them even more attractive places in which to live, work and invest.

2023 also saw further strong contributions from the NDFA and NewERA, with the NDFA seeing excellent progress in the procurement and delivery of major public infrastructure projects that included Higher Education facilities and primary and second-level schools bundles.

The NDFA continues to play an important role in procuring and delivering new homes for people in need of social housing. At a time when it is universally accepted that demand for new homes – whether for owner-occupiers, renters, or social housing – is significantly ahead of the available supply, the NDFA's work in this sector takes on additional importance for our society and our economy.

NewERA, meanwhile, increased its corporate financial advisory work programme, with an additional four bodies designated by the Government during 2023, and one further body designated in January 2024, bringing to 23 the total number of bodies that are now within NewERA's remit.

NewERA uses its significant corporate finance and markets expertise, including where it is requested to do so to provide advice on a range of climate-related initiatives, to add value to Government Ministers and Departments in relation to their ownership of State-owned bodies across a range of sectors.

The value of a specialist corporate finance team, that possesses the necessary expertise for the long-term benefit of the State and the people we serve, is very clear in the work undertaken by NewERA.

We saw a similar trend of additional mandates in the SCA, whose remit continued to expand during 2023.

As at end-2023, the SCA had responsibility for managing over 11,130 clinical and general claims with an estimated total liability of €5.18bn. The SCA received over 3,000 new claims and resolved over 3,400 existing claims during the year.

It was encouraging to see the use of mediation continue to increase in 2023, in line with the SCA's preference to use this non-adversarial mechanism to resolve claims wherever possible, as an alternative to the courts system.

The SCA also took on responsibility for managing the Garda Compensation Scheme following the completion of the necessary statutory processes during the year.

Looking ahead to 2024 across all our business units, we have significant confidence as we build on the progress we have made as an organisation and embark on executing the additional work programmes we have undertaken.

This work will be underpinned by the new five-year Corporate Strategy that we unveiled in recent months.

Setting a clear and well-defined strategy is an essential step in delivering on the mandates that the Government has entrusted to us. It brings focus to the work that we do. It enhances the way we work together by giving us a shared vision of what we are striving to achieve collectively.

In pursuing this strategy and in delivering on our mandates we are fortunate to benefit from the leadership and guidance that come from our Board and our Chairperson, Rachael Ingle, who assumed her role in late 2023.

The rigorous challenge that they bring to the executive team is an essential step in making the Agency reach for the highest standards in every aspect of its work.

I thank the Chairperson, the Board and my colleagues throughout the organisation for their ongoing efforts in ensuring the NTMA serves the State and its citizens to the best of our collective abilities.

We are privileged to be asked to do this work and it is our honour to do it.

Frank O'Connor
Chief Executive | April 2024